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The entrepreneurship concept as a subject of social innovation

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Abstract

What is essentially innovation occurs at the level of social behavioural patterns, routines, practices and settings. An innovation is therefore social to the extent that, either conveyed by the market or the non-profit sector, it is socially accepted and widely diffused throughout the society or in certain societal sub-domains, transformed depending on circumstances and ultimately institutionalized as new social practices or routines emerge. The field of social innovation turns critical societal problems into opportunities by actively involving the community actors.

In the last years, we have identified that in the international academic debate a discussion is evolving around a number of interconnected concepts which intrinsically include two apparently contradictory dimensions: social and economic. Among them, one of the most visible is the social entrepreneurship concept.

Social economy organizations, representing the outputs of the social entrepreneurship process, are extensively innovating; both in terms of the organizational forms they developed and in the manner they perform managerial activities. They are solving in new and innovative ways the tasks of planning, organizing, leading, motivating and controlling resources and people in order to achieve effectively and efficiently their purpose and objectives, fundamentally connected to social needs.

Our paper contributes to clarifying the relation between the two concepts of innovation and social innovation by exploring the “socializing” trend that is conditioning relevant economic concepts. Meantime, by revealing the historic background and generic definition of the social entrepreneurship concept, we are advocating for the social innovation dimension of the social entrepreneurship concept.

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1. A classic approach to the innovation concept

In a traditional approach, innovation is defined as new or improved products, services, processes, or improved organizational or marketing strategies (OECD, 2009). Meantime, in the academic literature there is a wide range

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of approaches to conceptualizing innovation. Innovations can be defined as novelty across a number of dimensions of relevance to the economy taking the form of new goods, a new quality of a good, new method of production, the opening of a new market, new sources of supply of raw-materials and half-manufactured goods, new organizations, new business models, new services, and new management and marketing techniques.

In economics, the change brought in by an innovation must increase value, either customer value, or producer value. Consequently, the goal of innovation is to bring a positive change. In the organizational context, it may concern efficiency, productivity, quality, competitive positioning, market share, etc. In the same time, as innovation typically changes value, innovation may also have a negative or destructive effect as new developments clear away or change old organizational forms and practices.

Innovation can be supply-pushed, when based on new technological possibilities, or demand-led, when based on social needs and market requirements. Difference should, also, be made between radical innovations and incremental innovations. While radical innovations may generate 'technological revolutions' and cause discontinuous and disruptive changes to existing industries and businesses, incremental innovations involve minor changes to existing products or services and knowledge. Nevertheless, even small innovations, cumulatively, can improve the performance of products or services, and thus provide benefits.

Organizational forms are important for any kind of innovation, specifically for the ones that are truly systemic in nature because they need to involve more than a new service or model. Those innovations generate "a change in relationships of power, and a change in how people think and see. Invariably, systems changes stretch far beyond the boundaries of any single organisation." (Murray, Caulier-Grice and Mulgan, 2010) They, also, generate changes in the ways people act jointly to achieve common goals in an effective, efficient and socially responsible manner.

Innovation is depending on a complex set of processes that links many different agents together so that much of the innovations occur within networks, at the boundaries of organizations and industries, where the problems and needs of users and the potential of technologies can be creatively linked together.

There are several sources of innovation. The manufacturer innovation is the traditionally recognized source in the linear model of innovation. It is the case where an agent, either person or company, innovates in order to sell the innovation. The end-user innovation is another source of innovation, nowadays becoming widely recognized. This is the case where because existing products do not meet its needs, an agent, either person or company, develops an innovation for its own (personal or in-house) use. According to Eric von Hippel, the end-user innovation is the most important and critical (1988).

From an economic perspective, it should be clear the difference between the invention, as an idea, and the innovation, as the economically viable outcome. Still, the focus is on the process itself, from the origination of an idea to its transformation into something useful, to its implementation; and on the system within which the process of innovation unfolds.

From a managerial perspective, we consider that Baregheh et al. (2009) give a convenient definition of innovation for this paper: "Innovation is the multi-stage process whereby organizations transform ideas into improved products, service or processes, in order to advance, compete and differentiate themselves successfully in their marketplace." This text is important because, not only defines the type of innovation process (multi-stage process), or the object of the innovation (ideas, products, service or processes), but, also, gives an understanding of why its outcome is a positive change („to advance, compete and differentiate themselves successfully in their marketplace"). It is a crucial aspect when it comes to the success or failure of an organization.

2. The concept of social innovation

The innovation occurs at the level of social practice. As Hochgerner (2010) shows, between innovations concerning societal issues (social innovations) and innovations based on technologies (aiming at business purposes) there are similarities but, also, differences. By consequence, "the processes, metrics, models and

methods used in innovation in the commercial or technological fields are not always directly transferable to the social economy” (Murray, Caulier-Grice and Mulgan, 2010). The intangible structure of the social innovations represents the main distinction comparing to technical innovations (Howaldt and Schwarz, 2010). In the same time, while being different in terms of purpose and objectives, the outcomes of the two types of innovation may overlap. Also, the rule of incremental innovations serving as background for a few “basic innovations” representing turning points in social change applies to social innovations as well (Hochgerner, 2010).

Concerning the innovation typology, Brooks (1982) reports “innovations that are almost purely technical (such as new materials), socio-technical innovations (such as transportation infrastructure) and social innovations”. Meantime, concerning the typology of social innovations, Brooks (1982) makes distinctions between market innovations (such as leasing), management innovations (such as new working hour arrangements), political innovations (such as summit meetings) and institutional innovations (such as self-help groups)”. On the other hand, according to Murray, Caulier-Grice and Mulgan (2010), as with every other innovation, there are not clear boundaries for social innovation. Social innovation can take place within public sector or within private sector, either for-profit or nonprofit, or in the space between them. Therefore, there are not pure top-down, nor bottom-up collaborative models.

Actually, the term social innovation has overlapping meanings: it can cover social processes, like open source methods and techniques, or it may refer to innovations with a social purpose, like microcredit or distance learning, or both. It may be related, also, to social entrepreneurship and it is tied with innovation in public policy and governance. Various definitions approach the social innovation concept by observing different aspects: what is social innovation, which is the object of the innovation process, which are its motives and effects, which is the object of change, which is the targeted area of change, which are the components, etc. In “The Process of Social Innovation” (2006), Geoff Mulgan is stating: “Social innovation refers to innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly diffused through [existing or newly created] organizations whose primary purposes are social.” We adopted this extended definition for the purpose of this paper. By detailing the types of organizations considered in the definition, we aim to clarify the output issue. The process is defined in terms of its motives (social need), outcomes (activities or services), and area of change (organizations whose primary purposes are social). While this definition best represents the pragmatic approach (Bassi, 2011), its text is complementing the previously mentioned general definition of innovation, given by Baregheh et al. (2009).

From a managerial point of view, social innovation require experimentation, engaging citizens as co-creators, and the ability to turn promising ideas and new service models to scale at the level of cities, regions, states, intergovernmental organizations and global markets.

3. Social entrepreneurship as a subject of social innovation

During the last years, in the international academic debate a discussion evolved around a number of interconnected concepts which intrinsically include two apparently contradictory dimensions: social and economic. Among them, the most visible are the social entrepreneurship, social enterprise and social economy concepts.

First used in the literature on social change in the 1960s and 1970s, the terms social entrepreneur and social entrepreneurship were extensively promoted in the 1980s and 1990s. Social entrepreneurship (SE) is on the rise for decades (Austin, Stevenson and Wei-Skillern, 2006). This explains why today, social entrepreneurship is the main research topic within general entrepreneurship theory, including a number of textbooks and edited review books (e.g. Mair et al. 2006; Nicholls 2008). According to Canadian Centre for Social Entrepreneurship (2001), a highly competitive environment and changes of the traditional boundaries between profit and nonprofit sectors are the reasons for an increased interest in the SE construct. While scholars’ interest in social entrepreneurship is growing (Hemingway, 2005), according to Zahra et al. (2009), a clear definition of its domain it’s missing, the

reasons for such a situation being the numerous forms SE embraces and the breadth of the involved academic communities. Initially, both, in the USA and Europe, social entrepreneurship research was developed based on simultaneous commonalities and major distinctions (Hulgard, 2010). In this respect, as an emerging field, social entrepreneurship is still confronted by competing definitions and conceptual frameworks, together with a little amount of empirical data (Mair & Marti, 2006; Nicholls, 2006).

The generally agreed perspective nowadays on SE concept refers to entrepreneurial activities with an embedded social purpose (Cukier et. al., 2011). As Certo and Miller (2008) note, there are two approaches on the SE construct: first, a broad one, defining SE as an innovative social venture (e.g. Cochran, 2007; Dees and Anderson, 2003) and second, a narrow one, defining SE as the use of economic activities to approach social needs by generating earned income (e.g. Thompson, 2002). Referring to the first approach, we consider that adding the social dimension to the traditional (economic) entrepreneurial process is an innovation and, thus, the social entrepreneurship represents a social innovation of the economic entrepreneurship. Referring to the second approach, in terms of business models, connecting directly the social needs with economic activities is an innovation and, thus, the use of economic activities to approach social needs represents a social innovation of the traditional (economic) entrepreneurial activities.

We are pointing out that, whatever SE definition approach discussed, social entrepreneurship is linked with “innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly diffused through [existing or newly created] organizations whose primary purposes are social.” We conclude that *social entrepreneurship is a social innovation*, because both above approaches are matching the terms of extended Mulgan's definition (2006).

Leadbeater (1997) identifies SE in a variety of activities (e.g. economic, educational, research, welfare, social and spiritual) developed by various types of organizations. Therefore, the social entrepreneurship construct was developed by scholars in very different contexts, including the public sector, community organizations, social action organizations, and charities (Weerawardena and Mort, 2006). In this respect, Hulgard (2010) reports „a mixture of common trends and backgrounds” and „a considerable amount of variation in the ways social entrepreneurship is emerging” as a „result of changing balances and relations between state, market and civil society in the provision of welfare services and work integration”. As such, in the commercial market sector, SE is connected, while being different in the same time, to other concepts like Corporate Social Responsibility (CSR), Corporate Social Innovation (CSI) and the Triple Bottom Line (idem) defining community concerned business models. Meantime, there are different positions in the academic literature concerning the way SE is perceived in the public sector. Some scholars (e.g. Weerawardena and Mort, 2006) argue that entrepreneurship in the public domain concerns leadership of public organizations or development of public policy, while the SE construct was mainly conceptualized in the domain in terms of individual qualities. Other scholars (Hulgard, 2010) report that, starting the 1980s, SE is perceived as a new turn in public policies both, in European countries and the EU, mainly in relation to developing the urban planning process and participatory social policies. SE generates new types of hybrid organizational forms, such as public-private partnerships or community partnerships involving public authorities, private companies and citizens. These new types of hybrid organizational forms are social innovations.

There is also a variety of approaches to SE concept in the third sector. Within a social action context, SE provides leadership in areas of social concern and, thus, generating positive changes. Social entrepreneurship organizations (SEO), i.e. associations and foundations, cooperatives, mutual organizations and commercial enterprises with a social purpose (e.g. work integrating social enterprises), are outputs of the social entrepreneurship process. The SE concept transcends the logic of profit-maximization, more important being combating social exclusion, generating new forms of solidarity and redistribution among community actors by valorization of social, cultural and environmental resources. Thus, adding the social dimension is an innovation and, therefore, in terms of types of organizations, the SEO, including social enterprises, represent a social innovation of the traditional economic enterprise. Such innovations were determined by an array of factors:

public sector and market failure, human solidarity, need for collective empowerment, type of beneficiaries they serve, the need for organizational legitimacy, their social goal and their implicit operating mode, the weak financial potential of their beneficiaries, etc. They represent changes that increase the public trust in such organizations, generating legitimacy and thus, creating value for these organizations. Therefore, these features are socially accepted and diffused widely throughout a certain societal sub-area being conveyed as “new social practice” or “routines”. By consequence, they are identified as social innovations and thus the specific way social entrepreneurship organizations are operating represents a social innovation.

Social entrepreneurship can take a variety of juridical forms. Statistically, the largest category is made of non-governmental organizations (NGOs), including here the associations, and foundations. Like in the case of other types of organizations, non-profit organizations vary much in terms of mission, size, mode of operation and impact. Some of them are closer to the model of a public agency; others may indeed resemble a commercial company; and yet others may be little more than an informal network (Anheier, 2000). Comparing to the other categories of institutions which operate in the community, NGOs resemble to private commercial entities concerning the way they function, but their goals and objectives are focused on social needs approached through public interest activities, without a distribution of the profit (if does exist) among the persons involved in the activities. This brings NGOs closer to the logic of the public institutions (Andersen et al., 2010). NGOs look more to for-profit corporations and commercial enterprises for management tools and models in the hope of finding solutions to real or perceived financial challenges (Anheier, 2000). However, there are relevant differences concerning their implementation due to fundamental differences in purpose, functionality and founding principles.

NGOs are extensively innovating; both in terms of the organizational forms they developed and the manner they perform managerial activities. They are solving in new and innovative ways the tasks of planning, organizing, leading, motivating and controlling resources and people in order to achieve effectively and efficiently their purpose and objectives, fundamentally connected to social needs (Bibu et al., 2011). On a larger scale, we may conclude that the *management of SEO is a social innovation based on business organizations' and NGOs' and public institutions' management*.

Summarizing, the present situation reflects an „intensive interest, among academics, experts and policy makers, in social enterprises and social entrepreneurship as a way of renewing the welfare state and most of all a way of reframing the balance between the three sectors - state, market and civil society” (Hulgard, 2010). This is another social innovation perspective related to the social entrepreneurship concept implementation.

4. Conclusions

In a learning society, business and nonprofit sector are engaged in a mutual learning process. The two sectors are not equal in size, and nor the exchange process is balanced. Still, each one has a considerable impact on the other and both are going through a process of hybridization, a social innovation process which is based on new business models, like the case of community concerned business models or social enterprises.

As mentioned before, social entrepreneurship construct was developed by academics and practitioners from diverse fields. An important task for the future development of SE research is to overcome this diversity and to create consensus across these fields (Certo, Miller, 2008). On the other hand, crossing knowledge boundaries is an innovation that determines the development of science and society. Such crossing of boundaries strengthened civil society studies through the time the sub-discipline has existed.

Our paper contributions are the following: first, social entrepreneurship is a social innovation in itself; therefore, it is innovating the concept of entrepreneurship adding social value; second, social entrepreneurship organizations, including social enterprises, are outcomes of SE and, in the same time, they are social innovations; third, the specific ways social entrepreneurship organizations are operating represent a social innovation; fourth, management of SEO is a social innovation based on business organizations' and NGOs' and public institutions'

management; fifth, the use of economic activities to approach social needs represents an innovation of the traditional (economic) entrepreneurial activities; sixth, SE generates new types of hybrid organizational forms, which are social innovations such as public-private partnerships or community partnerships involving public authorities, private companies and citizens.

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